



Munich Personal RePEc Archive

Corruption and Modes of Project Evaluation in Pakistan

Ovais Ahmed and Aasim Mashkooor

5 October 2016

Online at <https://mpa.ub.uni-muenchen.de/74287/>

MPRA Paper No. 74287, posted 6 October 2016 17:41 UTC

Corruption and Modes of Project Evaluation in Pakistan

By

Ovais Ahmed¹, Aasim Mashkoor²

Abstract

This research study investigated the intellectual surprising intervene distinctions comprises into cause of instable economic system of country and comprehend the laws of government regulating policies are closely for economic development. The rulers who are actually called by their designation such as, politicians, bureaucrats, Government Officers who have power of decision-making are actually intermediaries of such development planning. This paper put the light on evaluation methods of project cost in terms of economic value, and development. The long-term goals are made by government body who directly or indirectly involve with external investors and ventures for initializations of development program according to opportunity cost benefits. In this situation, Cost benefit analysis and Cost effectiveness are popular tools which used for evaluation or assessing the cost of benefits and interventions.

Keywords: Corruption, Economic Development

1 Introduction

Corruption is the most denting aspect of 21st century third world country. Expansion of financial facilities not only facilitates a common business man but also provides many possibilities to corrupt politicians and bureaucrats. These bureaucrats and politicians not only create fake companies but also opened off-shore accounts to manage their corruption. In Pakistan corruption is not a new word but catching corruption is still a tough nut to crack. Intellectual corruption is a new phenomenon in Pakistan, where wrong projects for the wrong areas has been sanctioned and developed at the public expenditure but it provides dividends to a particular group. The corruption is a former term when an official demands a bribe for certain private gains but passes on the regular payment to the government officials or bureaucrats.

¹ PhD Scholar, Research Consultant, Finance, Economic Development

² PhD Scholar, Lecturer, Adjunct Faculty, Economics

The most important word in Pakistan today is the Corruption and the amount of corruption we were discussing in our universities in last 8 years are proving correct. The performance of all those corrupt politicians and their financial managers are the best to say the least. The way Pakistan's economy lost its footing in last 8 years is the best indication of the amount of corruption in the Pakistan politics. According to Muhammad Ali Jinnah (Founder of Pakistan) is derive the corruption as curse in nation:

*"Corruption is a curse in India and amongst Muslims, especially the so-called educated and intelligentsia. Unfortunately, it is this class that is selfish and morally and intellectually corrupt. No doubt this disease is common, but amongst this particular class of Muslims it is rampant."*³

In this research article, we have largely affected image of corruption concepts which usually silently plague into development public and private projects. The research question simply is deriving the whole study concepts around corruption aspects and its nature of affective outcomes.

2 Research Question

How can we identify the actual need of the project at the right place?

3 Objectives

- To find out the right method of costing.
- To find out the cost benefit analysis.
- To find out the exact parameters of development plan.
- To set the standards of intellect and expertise.

4 Literature Review

The corruption is something decompose the system by an individual or many who have personal abusive concern of their own mutual benefit at short-term. There are many published papers on corruption and its impact which stating the behavior. According to Nye, He determined the same concepts that corruption is behavior which deviates from official duties of a public role because of personal benefits. (Nye, 1967)

According to World Bank noted the concepts of good governance is the leadership of openness, transparency of power and accountability, predictability and law have pre-

³ Pakistan founder Jinnah's letter to Ispahani, 6 May 1945

requisites of the economic environment for economic growth. Furthermore, it is the state of establishment of good governance means critical judgement in securing stable economic development. (World Bank, 1995)

Another study suggested the concepts of corruption in economic development which was hugely extensive comparison of abusive behavior. The public office is used by those corrupt individual who willing to private gains and benefits negatively. The only problem is to alleviate corruption from patronage politics for electoral reasons so that political stability maintains with honesty and systematic. The whole scenario of political economy works in smooth way. For instance, an individual who involve in customs officials to demands a bribe for letting goods into country with duty free is corruption. (Pranab, 1996)

Further studies approach to addressing the problems of corruption. Firstly, it arounds within administrative officials who directly work to government which involve mostly engage public officials or office for pecuniary gain. Secondly, it is political corruption who involves the public offices and demands public funds for bribery by politicians. These corrupted individuals concern for misuse of power of government to handle the public offices for purpose of remaining in offices. (Tanzi, 1994; Rose-Ackerman, 1978) The determinants of corruptions have classically demonstrated on principal-agent theory which define the top level of government instances and officials designated on higher authority to carry out a specific work. Those officials who works for government offices or run by the elite political administrative structure involve in high-level corruption matters.

4.1 Infrastructure and development projects corruption

The corruption in infrastructure development projects have become probably common which are mostly government officials involve directly or indirectly. The public projects and government expenditures like roads, transportations, facilitate of public infrastructures and mega real estate issues are the source of personal gain or ignorance of personal honesty with designated work. This study is based on entirely new concepts of new financial methods of formulation which helps to reducing the risk factors of corruption plague and adoption of those financial methodology which filters the all cost analysis systematically under the privilege of new methods.

The grand level of corruption is interviewed by Hobbes (2005) that “a small number of bidders on World Bank financed projects and suggested that all experienced bidders know that they must offer bribes in order not just to win the contract, but also successfully implement it.” (Hobbes, 2005) He further explained that the contract value cost could be between 10 to 15 percent which initially recovered in the mark-up price.

“The financial development is accounted a fundamentals of financial forecasting methods are to be assess, evaluate, and clarify the public or private sector projects which leads to eradicating the corruption systematically and creates powerful financial sound economy.” (Ahmed & Mashkoor, 2016) by this definition, the systematic financial method which in depth reduce the corruption into financial projects. This new financial method concept of project analysis will help to reduce an abusive intentions of government officials from personal gains or immature bribery acts.

The further research study suggested that tracking survey of public expenditure has potential to evaluate and measure the misappropriation of government funds. These funds combined with quality of service and unit cost on final outcomes. According to survey study suggested further significant leakage of funds nearly 30 to 70 percent. These funds also stamped nonwage funds applicable to primary education system in African Countries. (Reinikka & Svensson, 2005)

This literature has been suggested the major cause of corruption in infrastructure which is repeatedly going to be happen on what is actually built it and where, there are many incentives comparatively considered as usually quickly building infrastructure rather it focuses on maintenance and operations. The poor quality infrastructure in the unauthorized or wrong projected place leads to operates bulk of the negative development impact on venality. In other words, such kinds of incentives barely help to explain cross country suggestions regarding weak institution operations and high corrupted interference which proportion to 10 to 20 percent markup in the investment cost. (Devarajan, W, & H, 2002).

5 Qualitative Approach and Analysis

The approach of analyzing the methods of projection is not linearly conception of corrupted apprehension of officials. It is the method of keeping the project in fair calculated in the manner of upholding transparencies from discrepancies in evaluating the cost of infrastructure project. The uncorrupt political personnel is impossible to elected from corrupted political system is like a blind game of cards nearly negative speculate to adverse result. This research paper derived evaluating such methods which encompass to mitigate the risk and eliminate of those involve corrupted officials who merely relegate the value of infrastructure projects. Subsequently, the bribe layers of high corruptions can detriment to ramification of political system and compulsion of corruption affect transparency to strike a blow. There are following methods that should be assess through these layers of analysis.

5.1 Long Time Enough Method for Projection Under CBA (Cost Benefit Analysis)

Cost benefit Analysis (CBA) has never been poor reputation among American academic system as it is known today. The reason of its popularity in the United State government has never been counted greater. According to many economists, professors and Philosophers had written about CBA does not provide morally relevance information. Further they argued that it should not be used in project evaluation immensely. In early 1950s, Government agencies completely relied on CBA for project evaluation but time does not the same and various situation cause to be vary. (Adler & Posner, 1999) “Congress has enacted numerous statutes requiring agencies to perform cost-benefit analyses.”⁴

“Government agencies now routinely use Cost Benefit Analysis. This was not always the case. Before the 1980s, agencies seldom relied on CBA when evaluating regulations and other projects. But executive orders issued by the Reagan and Clinton administrations have since made the use of CBA by agencies common.”⁵

Keeping the theoretical viewpoints of corruption concepts are sounds like illegal practices in government institutions and agencies. When we talk about new project development it means we are evaluating or determining the economic benefits for our people and nations. For example, the project of developing railway department is more opportunity cost effective than road transportation. Mostly government agencies evaluate the project costing by Cost benefit analysis or cost effectiveness methods because these two methods provide relevant information of feasible decision. Subsequently, Cost benefit analysis and cost effectiveness are both methods are currently routinely used in assessing the projects specially in infrastructure development. These methods help to create opportunities for removing the biases in project and brings authentic information of feasible project. CBA itself a tool of mitigate the risks of venality or overly motivated by open bribery money.

5.2 Measuring Difference CEA and CBA

The comparison between cost effectiveness and cost benefit analysis have same approach of alternate outcomes in similar manner. Despite the monetary terms are based on same

⁴ See Edward R. Morrison, *Judicial Review of Discount Rates Used in Regulatory Cost-Benefit Analysis*, 65 U. C H I. L. REV. 1333, 1333-34 (1998) (and citations therein).

⁵ Exec. Order No. 12291, 3 Cfr 128 (1981); Exec. Order N O. 12866, 3 Cfr 638 (1993). Clinton's order qualified Reagan's order a bit but essentially endorsed the use of CBA. See Richard H. Pildes and Cass R. Sunstein, *Reinventing the Regulatory State*, 62 U. CHI. L. REV. 1, 6-7 (1995).

measures, cost benefit analysis does not capable to measure the feasibility in order to proposal for satisfied evaluation of economic value. (HM, 2003)

The another researcher commented that both methods of evaluation assess the money value of project, policy and program widely known as interventions. Cos effectiveness analysis is an increasingly popular method with respect to cost-benefit analysis. CBA has more attention than CEA and both are used to evaluate or appraise the benefits of a cost and intervention. In other words, CBA calculates and translate entire project benefits into monetary terms. (Boardman, Vinning, Weimer, & Greenberg, 2006)

Corruption Index of Pakistan



The above chart illustrated the corruption rank of Pakistan by Transparency International. The highest rank of corruption in Pakistan is recorded in 2010 which was 143. Afterwards, it varied below the maximum range. This index represents public sector is perceived by in order to corruption level. The bar chart shows that after 2010 the corruption level is slightly ups and down and 2016 the rank is improvised to 117 index due to preclusion from conflict.

5.3 Corruption Transparency Index Technicality

Methodology:

There are four basic steps to measure the technicality of transparency of corruption index which depend upon available number of sources which capture perception of corruption.⁶

1. Selection of Data
 - a. Data collection reliability and methodology
 - b. Data addressed corruption in the Public Firms
 - c. Quantitative Granularity
 - d. Cross country comparability
 - e. Multi Year Data set
2. Standardize Data Sources
3. Aggregate Rescale Data
4. Report a Measure Uncertainty
5. Compute Significant Change in Score Over Time

Conclusion

The conclusion of this corruption chapter draws upon the basis of available data resource which capture from public sector delinquencies and unbound from legal prospects of government decisions. In this study, we addressed the corruption transparency picture of Pakistan economy.

Corruption in a society prevails when the justice system does not curtail it by force. Only judiciary has the powers to eradicate it completely. An effective investigation and proper judicial support can eradicate the intellectual corruption. So we can say that investigation methods must be very advance and uninterrupted. On the other hand the judicial progress needs the proper litigation by the experts. Weak and faulty litigation creates havoc than the proper relief in the society.

If these two departments are effective the eradication of corruption is automatically effective. On the other hand the applying the technical requirements and expertise according to the need of the project evaluation is also very necessary.

⁶ Methodology of Corruption Transparency Index, Cited from Corruption Perception Index 2015 Report.

References

- Tanzi, V. (1994). Corruption, Governmental Activities, and Markets. *IMF Working Paper*, 94/99.
- Adler, D. M., & Posner, A. E. (1999). Rethinking Cost-Benefit Analysis. *John M. Olin Law & Economics Working Paper NO. 72*.
- Ahmed, O., & Mashkoo, A. (2016). *The Economic Development Planning: Most Innovative Solution of the Most Orthodox Problems*. Germany: Scholars Press Inc.
- Boardman, A. E., Vinning, A. R., Weimer, D. L., & Greenberg, D. H. (2006). *Cost-Benefit Analysis: Concepts and Practice*. Upper Saddle River: NJ: Pearson.
- Devarajan, S., W, E., & H, P. (2002). Low Investment is Not the Constraint on African Development . *Center for Global Development Working Paper 13*.
- HM, T. (2003). *The Green Book: Appraisal and Evaluation in Central Government*. London: Treasury Guidance.
- Hobbes, N. (2005). Corruption in World Bank Projects: Why Bribery is a Tolerated. *Anathema LSE DESTIN Working Paper*, 05-65.
- Nye, J. S. (1967). Corruption and Political Development: a cost-benefits analysis. *American Political Science Review*, 417-27.
- Pranab, B. (1996). The Economics of Corruption in Less Developed Countries: a Review of the Issues. *OECD Development Centre*.
- Reinikka, R., & Svensson, J. (2005). Using Micro-Surveys to Measure and Explain Corruption. *World Development*, 34, 2.
- Rose-Ackerman, S. (1978). *Corruption: a Study in Political Economy*. New York: Academic Press,.
- World Bank. (1995). *A Continent in Transition: Sub-Saharan Africa in the Mid-1990s*. London: Oxford University Press.